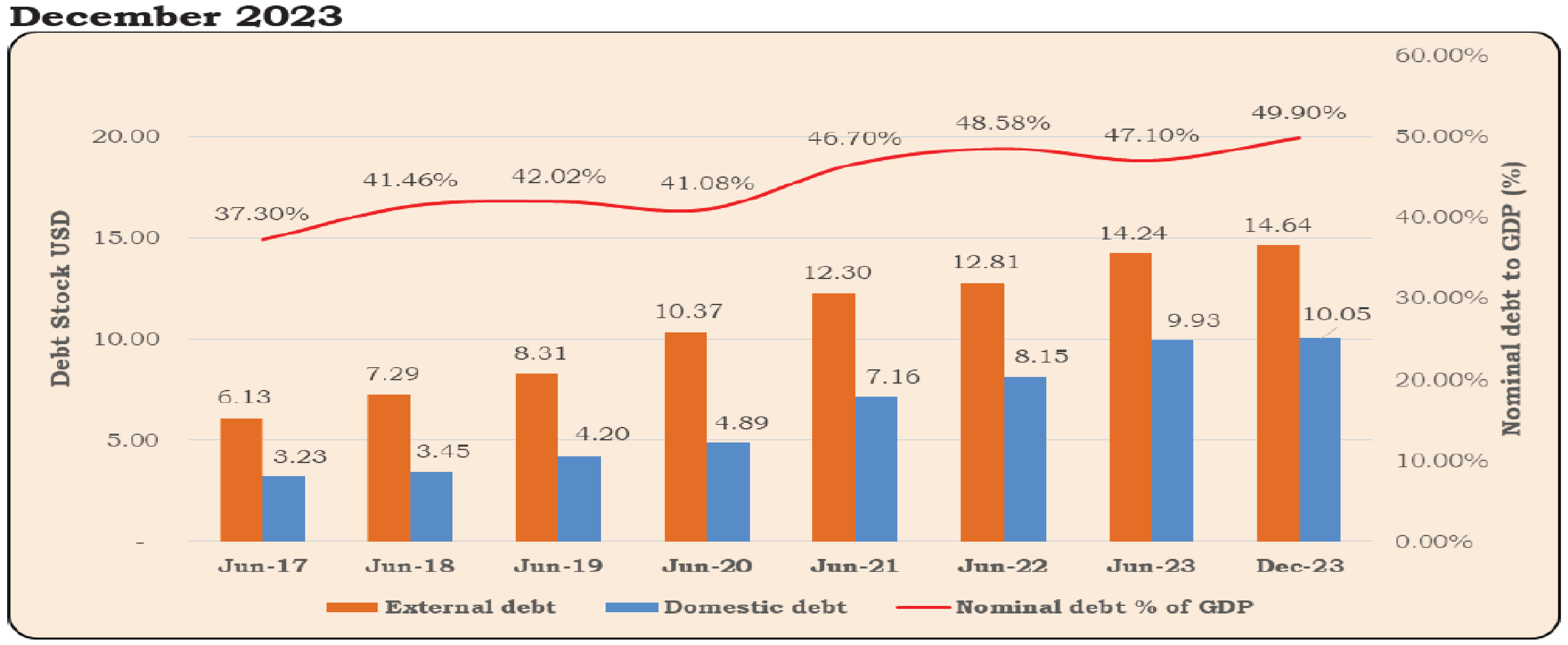
Weekly Edition Vol: 438 05th—12th July

UGANDAS DEBT SITUATION AND THIS YEAR'S BORROWING PLAN

INTRODUCTION

Uganda's public debt stock has been on the rise in the last five years from UGX 42.20 trillion in June 2019 to UGX 86.75 trillion in June 2023 representing a 51 percent growth. By the end of December 2023, total public debt had increased to UGX 93.38 trillion, marking a notable rise of UGX 12.61 trillion from UGX 80.77 trillion recorded at end December 2022. This indicates a 13.6% growth in debt stock over the span of a year. The rise is on account of progressive acquisition of commercial loans for budget support and costs associated with increased domestic borrowing.

Figure 1: Public Debt Stock (in USD Billion) from FY 2016/17 to December 2023



Source: MoFPED, DPI

Despite the increase in GDP, the last five years Uganda's debt accumulation has more than doubled the growth in GDP hence putting the country on high risk of debt distress evidenced by debt restructuring and high cost of borrowing offered by the lenders. This suggests that the high debt levels are likely to constrain Uganda's ability to achieve its ambitious economic growth targets outlined in the National Development Plans and Uganda Vision 2040.In FY2024/25 budget 41 trillion was allocated to debt servicing consuming a significant portion of government revenues, potentially crowding out critical public investments in infrastructure, social services, and other development priorities.

In the fiscal year 2024/25, Uganda intends to spend 41 trillion on debt serving representing 24 percent of the projected GDP growth of 202 trillion and 106 percent of the projected revenue collections. In FY2023/24 there was a fiscal deficit of 3 trillion which led to external and domestic borrowing beyond projections in the FY 2023/24 budget. This lead breaching of the (medium Term Debt Management strategy) MTDMs target on interest payment percentage of GDP on domestic debt of 2.43%.

Since 2016, commercial borrowing has increased by 11% and concessional borrowing has reduced by 9 percent. The rapid increase in domestic borrowing to finance the budgets without corresponding increase in payment of domestic arrears, crowds out the private sector thus push natives out of business, reduce investment hence low revenue collections. In the next FY2024/25, government speculated that it will look at alternative financing options with competitive rates to reduce the need for Net Domestic Financing (NDF) in meeting its budgetary requirements according to its MTDS but according to the outlook 37.5 percent of the budget is going to be financed domestic borrowing.

Debt affordability amidst exchange rate variations has consequently weakened posing challenges of prudent public debt management putting Uganda on a risk of moving from moderate debt distress to high debt distress examined by Moody's ratings. Domestic debt more than doubled from UGX 15.51 trillion in June 2019 to UGX 38.01 trillion in December 2023while external debt increased from UGX 30.69 trillion to UGX 55.37 trillion during the same period. The increase in external debt primarily stemmed from substantial loan disbursements, notably the budget financing loan of USD 545.45 million from Stanbic Bank, alongside IMF extended credit facility and SDR drawdown totaling to USD 370.64 million. Meanwhile, the increase in domestic debt was necessitated by heightened expenditure requirements, leading to additional borrowing from the domestic market to fulfil budgetary requirements. The proportion of the cost indicators of interest payments to GDP rose from 2.3% in 2019 to 3.6% in December 2023 against a target of □2.93 while weighted average interest rates indicated an upward trend, rising from 5.6% in June 2019 to 7.3% in December 2023.

For the next financial year, the government entails to put these strategies into practice to meet the Government's borrowing needs for the fiscal year 2024/25

Table 9: FY 2024/25 Borrowing Plan

	FY 2024/25 Projected disbursment (UGX. trillion)	FY 2024/25 Projected Disbursment (USD. Million)	Share
External Debt			
ADF_Fixed	1.74	465.54	8.31%
Concessional_Fx	1.71	458.41	8.18%
Semi-Concessional_Fx	1.02	274.35	4.90%
Non-Concessional_Fx	0.70	186.88	3.33%
Non-Concessional_Var	0.92	245.51	4.38%
Commercial_Var	0.95	254.12	4.53%
Highly Commercial_Var	1.33	356.92	6.37%
Total external	**8.37**	**1,630.69**	**40%**
Domestic Debt			
T-Bills	4.77	1,277.79	22.80%
2-Tbond	0.75	201.76	3.60%
3-Tbond	0.88	235.38	4.20%
5-Tbond	1.26	336.26	6.00%
10-Tbond	1.38	369.89	6.60%
15-Tbond	1.63	437.14	7.80%
20-Tbond	1.88	504	9.00%
Total Domestic	**12.56**	**3,362.59**	**60%**

1. Strategy 1 (S1): the Government's current borrowing mix of 28% external and 72% domestic;
2. Strategy 2 (S2): more domestic borrowing, resulting in 25% external and 75% domestic;
3. Strategy 3 (S3): equal shares of both, with a 50:50 ratio
4. Strategy 4 (S4): more external borrowing, with a mix of 40% external and 60% domestic.

UDN appreciates support by: UDN Membership; DCA; Save the Children in Uganda; OSIEA, Inspectorate of Government; IBP, Trocaire; UNICEF; Bill and Gates Foundation and NDI.

EDITORIAL TEAM:
Gilbert Musinguzi- gmusinguzi@udn.or.ug ; Ishimimaana Jenice- communications@udn.or.ug

Please visit/ talk to us at; Uganda Debt Nework ,
P.O. Box 21509, Kampala -Uganda,
Plot 153/155 Ntinda—Nakawa Road , Tel +256-414-533840/543974
Website: www.udn.or.ug